

Livingston Parish Sewer District One

Annual Financial Statements

As of and for the Year Then Ended December 31, 2013
With Supplemental Information Schedules

Livingston Parish Sewer District One
Annual Financial Statements
As of and for the Year Ended December 31, 2013
With Supplemental Information Schedules

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor's Report			3
Management's Discussion and Analysis (Required Supplemental Information):			
Financial Highlights			7
Overview of Annual Financial Report			8
Financial Analysis			8
Condensed Balance Sheet			9
Condensed Statement of Revenues, Expenses, and Changes in Net Position			10
Budgetary Highlights			11
Other Significant Trends and Account Changes			12
Capital Assets			12
Long-Term Debt			13
Future Economic Plans			13
Business-Type Financial Statements:			
Statement of Net Position	A		15
Statement of Revenues, Expenses, and Changes in Net Position	B		16
Statement of Cash Flows	C		17
Notes to the Financial Statements			20
Supplementary Information:			
Budgetary Comparison Schedule		1	33
Schedule of Insurance Coverages		2	34
Schedule of Compensation Paid Board of Commissioners		3	35
Schedule of Number of Customers and Sewer Rates		4	36
Schedule of Findings:			
Schedule of Findings and Questioned Costs		5	38
Summary Schedule of Prior Year Audit Findings		6	39
Corrective Action Plan for Current Year Audit Findings		7	41
Other Independent Auditor's Reports:			
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards ..			45

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Independent Auditor's Report

To Members of the Board of Commissioners
Livingston Parish Sewer District One
Livingston Parish Council
Denham Springs, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Livingston Parish Sewer District One, a component unit of the Livingston Parish Council, Louisiana as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the Board of Commissioners
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Livingston Parish Sewer District One, as of December 31, 2013 and 2012, and the respective changes in the financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, including management's discussion and analysis on pages 7-13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's basic financial statements. The supplementary information, including the summary of board member information and compensation, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Budgetary Comparison Schedule and the summary of board member compensation, is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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Members of the Board of Commissioners
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 11, 2014 on our consideration of Livingston Parish Sewer District One's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Livingston Parish Sewer District One's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

July 11, 2014

Required Supplemental Information Management's Discussion and Analysis

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended 12/31/13

Introduction

The Livingston Parish Sewer District One (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and with current standards as more fully described in the financial statement footnotes as *Footnote 1- Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation”*.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

At December 31, 2013, total assets were \$1,385,467, and exceeded liabilities in the amount of \$1,125,545 (i.e., net position). Of the total net position, \$275,863 was unrestricted and available to support short-term operations, \$259,195 was restricted for capital projects activity and debt service, and the balance was the net investment in capital assets.

The long-term portion of bonds payable decreased to \$140,802 at December 31, 2013 compared to \$150,650 at the end of the prior fiscal period, because of payment of bond principal.

For the year ended December 31, 2013, user fee revenues (sewer sales) increased to \$692,816 as compared to \$446,377 for the fiscal year ending December 31, 2012. Total operating revenues increased to \$785,579 as compared to \$510,364 for the fiscal year ending December 31, 2012. This was a fifty-four percent increase due to an increase in sewer customers primarily for the Series 2012 construction expansion. Operating expenses remained relatively constant, decreasing by \$22,004. Non-operating expenses increased by \$242,572 reflecting the required payment of \$246,573 for the District's payment of bond installment for construction improvements financed by the Series 2012 Bonds. The bonds, issued at \$15,900,000 by Livingston Sewer District Number Two, require Livingston Parish Sewer District One to pay 33% of the bond installments, based on the percentage of construction improvements that benefit Livingston Parish Sewer District One.

Net position increased \$31,630 for the fiscal year ending December 31, 2013, as compared to a decrease of (\$51,713) for the fiscal year ending December 31, 2012.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended 12/31/13

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Livingston Parish Sewer District One's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, account for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and if applicable, schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether Livingston Parish Sewer District One is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Livingston Parish Sewer District One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013**

**Condensed Balance Sheet
2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 638,242	\$ 499,220	\$ 139,022	28%
Capital Assets	<u>747,225</u>	<u>782,005</u>	<u>(34,780)</u>	-4%
Total Assets	<u>1,385,467</u>	<u>1,281,225</u>	<u>104,242</u>	8%
Liabilities:				
Long-Term Debt Outstanding	140,802	150,650	(9,848)	-7%
Other Liabilities	<u>119,120</u>	<u>36,660</u>	<u>82,460</u>	225%
Total Liabilities	<u>259,922</u>	<u>187,310</u>	<u>72,612</u>	39%
Net Position:				
Net Investment in Capital Assets	590,487	614,777	(24,290)	-4%
Restricted for Capital Activity and Debt Service	259,195	154,109	105,086	68%
Unrestricted	<u>275,863</u>	<u>325,029</u>	<u>(49,166)</u>	-15%
Total Net Position	<u>\$ 1,125,545</u>	<u>\$ 1,093,915</u>	<u>\$ 31,630</u>	3%

“Current and Other Assets” increased primarily because of customers added in July 2013 as the Series 2012 construction improvements were implemented. There was an increase of \$105,086 in restricted cash, primarily because of a \$88,812 reclassification of cash to meet bond installment requirements for the Series 2012 bonds.

“Capital Assets” decreased by \$34,780, reflecting primarily the effect of depreciation on capital assets.

“Total Net Position” (total assets less total liabilities) increased by \$31,630 for the fiscal year ending December 31, 2013, because of changes in revenues and expenses described on the following page.

Livingston Parish Sewer District One

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2013

Condensed Statement of Revenues, Expenses and Changes in Net Position 2013 and 2012

	Year ended December 31, 2013	Year ended December 31, 2012	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 785,579	\$ 510,364	\$ 275,215	54%
Nonoperating Revenues	30,196	959	29,237	3049%
Total Revenues	<u>815,775</u>	<u>511,323</u>	<u>304,452</u>	60%
Expenses:				
Depreciation Expense	58,009	57,468	541	1%
Other Operating Expense	428,033	450,037	(22,004)	-5%
Nonoperating Expense	298,103	55,531	242,572	437%
Total Expenses	<u>784,145</u>	<u>563,036</u>	<u>221,109</u>	39%
Changes in Net Position	31,630	(51,713)	83,343	161%
Beginning Net Position	1,093,915	1,145,628	(51,713)	-5%
Ending Net Position	<u>\$ 1,125,545</u>	<u>\$ 1,093,915</u>	<u>\$ 31,630</u>	3%

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Livingston Parish Sewer District One is being conservatively managed.

Total "Operating Revenues" (including sewer fees and charges related to providing sewer services to customers) increased by \$275,215, primarily because of an increase of 690 customers, most of which were from the Series 2012 construction expansion. "Nonoperating revenues" increased by \$29,237, primarily because of a FEMA reimbursement of \$29,651.

Total operating expenses, other than depreciation, remained relatively constant, decreasing by \$22,004. "Depreciation Expense" remained relatively constant, and "Nonoperating Expenses" increased by \$245,572. This increase was due primarily to payment obligations of \$246,573 for the Series 2013 bonds – see *Footnote 13 – Other Contingencies and Commitments*.

Net position increased \$31,630 for the for the fiscal year ending December 31, 2013, as compared to a decrease of was (\$51,713) for the fiscal year ending December 31, 2012.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Budgetary Highlights

Livingston Parish Sewer District One adopts an annual operating budget for management purposes. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2013

	Budget Year ended December 31, 2013	Actual Year ended December 31, 2013	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 788,400	\$ 785,579	\$ (2,821)
Nonoperating Revenues	30,600	30,196	(404)
Total Revenues	<u>819,000</u>	<u>815,775</u>	<u>(3,225)</u>
Expenses:			
Depreciation Expense	60,000	58,009	1,991
Other Operating Expense	511,300	428,033	83,267
Nonoperating Expense	143,500	298,103	(154,603)
Total Expenses	<u>714,800</u>	<u>784,145</u>	<u>(69,345)</u>
Income (Loss)	<u>\$ 104,200</u>	<u>\$ 31,630</u>	<u>\$ (72,570)</u>

The largest variation between budgeted and actual revenues was for "Nonoperating Expense" with an increase of \$154,603, as Livingston Parish Sewer District One assumed responsibility for their portion of the payment obligation for the Series 2012 bonds financed by Livingston Sewer District Number Two.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	<u>12/31/13</u>	<u>12/31/12</u>	<u>Increase (Decrease)</u>
Customers	1,651	961	690
Total Customers	1,651	961	690

As noted in Footnote 14 – *Subsequent Events*, the District added an additional 677 customers as a result of the District's involvement in the construction expansion for improvements financed by the Series 2012 Ward 2 Sewer Expansion Bonds totaling \$15,900,000.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2013, Livingston Parish Sewer District One had \$747,225 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, buildings, land, and machinery and equipment used to operate the sewerage system. The changes in capital assets are presented in the table below.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 55,432	\$ 55,432	-	0%
Utility System	1,485,600	1,485,600	-	0%
Buildings	168,225	168,225	-	0%
Machinery & Equipment	172,971	149,742	23,229	16%
Subtotal	1,882,228	1,858,999	23,229	1.25%
Less: Accumulated Depreciation	(1,135,003)	(1,076,994)	(58,009)	-5%
Net Capital Assets	\$ 747,225	\$ 782,005	\$ (34,780)	-4%

During the fiscal year ending December 31, 2013, capital assets increased by \$23,229 for fencing and a pump and panel station improvements. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2013, totaled \$58,009.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Long-Term Debt

The only long-term financing for Livingston Parish Sewer District One is one bond financed by a private issuer – see *Footnote 7 – Long-Term Obligations*. However, Livingston Parish Sewer District One has payment obligations based on contracts with Livingston Sewer District Two. Livingston Sewer District Two is the major service provider for Livingston Parish Sewer District One. The reader should refer to *Footnote 13 – Other Contingencies and Commitments*, for a discussion of those obligations related to contracts with Livingston Sewer District 2.

Future Economic Plans

The Livingston Parish Sewer District One's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. This has been a continuous process since hurricanes damaged major sections of the District's sewer system. As noted, the District implemented a rate increase in compliance to bond covenant requirements and to accumulate funds necessary for repair and operation of the District's sewer system.

Additional information can be obtained by contacting the District's accountant, Randy Smith, 277 East Railroad Avenue, Suite A, Denham Springs, LA 70726, at 985 664-7579.

Financial Statements

Livingston Parish Sewer District One
Statement of Net Position
As of December 31, 2013 and 2012

Statement A

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 266,184	\$ 232,580
Investments - Unrestricted	35,830	35,830
Receivables, Net :		
Accounts	66,836	59,986
Prepaid Insurance	10,037	16,555
Total Current Assets	<u>378,887</u>	<u>344,951</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	259,195	154,109
Total Restricted Assets	<u>259,195</u>	<u>154,109</u>
Property, Plant, and Equipment		
Land	55,432	55,432
Property, Plant and Equipment, Net	691,793	726,573
Total Property, Plant, and Equipment	<u>747,225</u>	<u>782,005</u>
Other Assets		
Meter Deposits	160	160
Total Other Assets	<u>160</u>	<u>160</u>
Total Assets	<u>1,385,467</u>	<u>1,281,225</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	5,280	19,608
Other Accrued Liabilities	566	452
Due To Other Governments	97,338	22
Total Current Liabilities (Payable From Current Assets)	<u>103,184</u>	<u>20,082</u>
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable	6,088	6,730
Revenue Bonds Payable	9,848	9,848
Total Current Liabilities (Payable From Restricted Assets)	<u>15,936</u>	<u>16,578</u>
Long Term Liabilities:		
Bonds Payable	140,802	150,650
Total Long Term Liabilities	<u>140,802</u>	<u>150,650</u>
Total Liabilities	<u>259,922</u>	<u>187,310</u>
Net Position		
Net Investment in Capital Assets	590,487	614,777
Restricted for:		
Capital Projects and Debt Service	259,195	154,109
Unrestricted	275,863	325,029
Total Net Position	<u>\$ 1,125,545</u>	<u>\$ 1,093,915</u>

The accompanying notes are an integral part of these financial statements.

Statement B

Livingston Parish Sewer District One
Statement of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Sewer Fees	\$ 692,816	\$ 446,377
Permits & Inspection Fees	3,125	1,600
User Fees	14,271	3,314
Impact Fees	39,872	-
Grant Revenue	35,495	59,062
Miscellaneous Income	-	11
Total Operating Revenues	<u>785,579</u>	<u>510,364</u>
Operating Expenses		
Per Diem	3,700	3,400
Billing Costs	5,287	4,954
Depreciation	58,009	57,468
Insurance	33,835	18,161
Other	4,456	3,244
Professional Fees	24,955	93,462
Repairs and Maintenance	306,406	293,432
Supplies	6,094	4,440
Utilities	43,300	28,944
Total Operating Expenses	<u>486,042</u>	<u>507,505</u>
Operating Income (Loss)	<u>299,537</u>	<u>2,859</u>
Nonoperating Revenues (Expenses)		
Interest Income	545	959
Interest Expense	(7,712)	(8,190)
Transfer for Livingston Parish Council Debt Obligation	(43,818)	(43,261)
Transfer for Series 2012 Bonds	(246,573)	-
GOSHEP Storm Reimbursement	29,651	-
Storm Expenses	-	(4,080)
Total Nonoperating Revenues (Expenses)	<u>(267,907)</u>	<u>(54,572)</u>
Change in Net Position	31,630	(51,713)
Total Net Position, Beginning	1,093,915	1,145,628
Total Net Position, Ending	<u>\$ 1,125,545</u>	<u>\$ 1,093,915</u>

The accompanying notes are an integral part of these financial statements.

Livingston Parish Sewer District One
Statement of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 703,362	\$ 408,781
Other Receipts	105,018	59,073
Payments for Operations	(338,413)	(446,523)
Net Cash Provided (Used) by Operating Activities	<u>469,967</u>	<u>21,331</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Storm Expenses	-	(4,080)
(Payments for) Debt Obligation to Parish Council	(43,818)	(43,261)
(Payments for) Debt Obligation for Series 2012 Bonds	(246,573)	-
(Payments for) Capital Acquisitions	(23,229)	(9,465)
Principal Proceeds from (Repayments for) Long Term Debt	(9,848)	(28,560)
Interest Payments for Long Term Debt	(8,354)	(9,777)
Net Cash (Used) by Capital and Related Financing Activities	<u>(331,822)</u>	<u>(95,143)</u>
Cash Flows From Investing Activities		
Receipt of Interest	545	959
Proceeds from sale (Payments) for Investments	-	(49)
Net Cash Provided by Investing Activities	<u>545</u>	<u>910</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	138,690	(72,902)
Cash and Cash Equivalents, Beginning of Year	386,689	459,591
Cash and Cash Equivalents, End of Year	<u>\$ 525,379</u>	<u>\$ 386,689</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 266,184	\$ 232,580
Cash and Cash Equivalents, Restricted	259,195	154,109
Total Cash and Cash Equivalents	<u>\$ 525,379</u>	<u>\$ 386,689</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Livingston Parish Sewer District One
Statement of Cash Flows
For the year ended December 31, 2013

Statement C
(Continued)

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 299,537	\$ 2,859
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	58,009	57,468
(Gain) Loss from sale of capital assets	-	-
(Increase) decrease in Accounts Receivable	(6,850)	(42,510)
(Increase) decrease in Unbilled Receivable	-	-
(Increase) decrease in Inventory	-	-
(Increase) decrease in Prepaid Insurance	6,518	(13,753)
(Increase) decrease in Bond Issue Cost	-	-
(Increase) decrease in Due (to) and from Other Funds	-	-
Increase (decrease) in Accounts Payable for Operating Activities	(14,328)	17,307
Increase (decrease) in Accounts Payable for Capital Related Financing	-	-
Increase (Decrease) in Compensated Absences	-	-
Increase (decrease) in Accrued Expenses	127,081	(40)
Increase (decrease) in Customer Deposits	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 469,967</u>	<u>\$ 21,331</u>

(Concluded)

Basic Financial Statements

Notes to the Financial Statements

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

Introduction

Livingston Parish Sewer District One (the District) was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3811, et, seq., of the Louisiana Revised Statutes of 1950.

The District is located in Denham Springs, Louisiana. The purpose of the District is to provide sanitation services to customers within the boundaries of the District. The board is composed of three board members appointed by the Livingston Parish Council. Board members are compensated for meeting attendance at the rate of \$100 per meeting.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Sewer District One is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These standards established standards for financial reporting, with presentation requirements including a statement of net position (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 1, Section J – Net Position*.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote 1, Section I – Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under State law, the District may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other State of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- There is no involuntary participation in an external investment pool.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. As of December 31, 2013, the District had no significant inventory.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure Assets	40 Years
Land Improvements	40 Years
Buildings and Building Improvements	40 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	3 - 10 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

Employees of the District can earn leave based on the number of hours worked each pay period. At this time the District has no provision for leave carryover; therefore a leave accrual was not recorded in the financial statements.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

I. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For the District, there were no bond issue costs for existing bonds at December 31, 2012.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

Net Investment in Capital Assets Component of Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

Restricted Component of Net Position

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2013, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2013
Demand Deposits	\$ 474,478
Trust Funds	50,901
	<u>\$ 525,379</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

At December 31, 2013, the District has \$533,762 in cash and cash equivalent deposits (collected bank balances), consisting of \$483,034 in demand deposits, and \$50,728 in Trust Funds. The demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$233,034 of pledged securities held by the custodial bank

in the name of the fiscal agent bank (GASB Category 3). The Trust Funds consist of cash and cash equivalents in a separate bank. In addition, the District at December 31, 2013 also has \$35,876 in a certificate of deposit categorized as an investment. The Trust Funds and certificates of deposit are in the same bank and are fully collateralized by federal deposit insurance of \$250,000.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Deposits and investments secured at December 31, 2013 are categorized as follows:

Category 1: Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution, or by its trust department or agent in the District's name.

Category 3: Uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custodial Credit Risk Category			Not Required to be Collateralized	Total Carrying Value
		1	2	3		
Cash and Cash Equivalents	\$ 483,034	\$ 483,034	\$ -	\$ -	\$ -	\$ 483,034
Certificates of Deposit (With original maturities over 3 months)	35,876	35,876	-	-	-	35,876
Restricted Assets - Trust Accounts	50,728	50,728	-	-	-	50,728
	<u>\$ 569,638</u>	<u>\$ 569,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 569,638</u>

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

All investments held by the District fall into category 1 credit risk, defined as “insured or registered, or securities held by the District or its agent in the District’s name.” In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District and are held at the District’s office. Because these investments are in the name of the District and are held by the District or the District’s agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

4. Receivables

At December 31, 2013, the District recorded \$66,836 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year end.

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2013:

	December 31, 2013
Restricted Cash and Cash Equivalents	
Impact Fee Fund	\$ 22,622
Bond Reserve Account	41,490
Bond Contingency Account	88,095
Bond Sinking Account	106,988
Total Restricted Assets	<u>\$ 259,195</u>

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2013 is as follows:

	<u>Beginning Balance 12/31/12</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/13</u>
Capital Assets Being Depreciated				
Utility System	\$ 1,485,600	\$ -	\$ -	\$ 1,485,600
Buildings	168,225	-	-	168,225
Machinery & Equipment	149,742	23,229	-	172,971
Total Capital Assets Being Depreciated	1,803,567	23,229	-	1,826,796
Less Accumulated Depreciation	(1,076,994)	(58,009)	-	(1,135,003)
Capital Assets Being Depreciated, Net	726,573	(34,780)	-	691,793
Land	55,432	-	-	55,432
Construction in Progress	-	-	-	-
Total Capital Assets, Net	\$ 782,005	\$ (34,780)	\$ -	\$ 747,225

During the fiscal year ending December 31, 2013, capital assets increased by \$23,229 for fencing and panel and pump station upgrades. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2013, totaled \$58,009.

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2013:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
USDA 1984 Revenue					
Bonds, Loan 92-01	\$ 160,498	\$ -	\$ (9,848)	\$ 150,650	\$ 9,848
Total Long-Term Debt	\$ 160,498	\$ -	\$ (9,848)	\$ 150,650	\$ 9,848

Bonds Payable as of December 31, 2013 is as follows:

	<u>December 31, 2013</u>
Revenue Bond	\$ 307,000
Sewer Revenue Bonds, Loan 92-01 sold to Rural Utility Service	
Dated 2/28/1984 due in annual installments of principal and interest of \$18,203 through 2/28/2024 - interest at 5.0%.	\$ 150,650
	<u>\$ 150,650</u>

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

The annual requirements to amortize all debt outstanding as of December 31, 2013, including interest payments of \$34,414 are as follows:

Year Ending 12/31/13	USDA 1984	
	Revenue Bonds	Total
	\$ 307,000	
2014	\$ 18,203	\$ 18,203
2015	18,203	18,203
2016	18,203	18,203
2017	18,203	18,203
2018	18,203	18,203
2019 to 2023	91,015	91,015
2024 to 2024	3,034	3,034
	<u>\$ 185,064</u>	<u>\$ 185,064</u>

8. Flow of Funds, Restrictions on Use

On February 28, 1984, the District issued \$307,000 of United States Farmer's Home Administration (Now referred to as USDA) Sewer Revenue Bonds. The bonds were issued at an annual interest rate of 5.0%, and are due in annual installments of \$18,203 through February 28, 2024.

On May 13, 1997, the District issued \$198,000 of Sewer Revenue Refunding Bonds, Series 1997-A, at an interest rate of 6.0%, with the bonds maturing on February 28, 2012. These bonds, which were issued in parity with the 1984 USDA Bonds, were paid during fiscal year 2012.

Sewerage System Bond and Interest Sinking Fund (the Sinking Fund): Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), monthly in advance on or before the 20th day of each month of each year a sum equal to 1/12 of the principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principals and interest as the same respectively become due. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and interest on the bond and parity bonds. Said fiscal agent shall make available from the revenue bond sinking fund to the paying agent such funds as are available from the Sinking Fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At fiscal year end, all required bond and interest installments for the District had been made as required, and the Sinking Fund was fully funded.

Sewerage System Revenue Bond Reserve Fund (the Reserve Fund): Each month the District must transfer into the Reserve fund, monthly in advance on or before the 20th day of each month of each year, a sum as equal to five percent of the sum required by applicable bond covenants, such payments to continue until an amount has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund. The amount that must be deposited each month to the Reserve Fund is equal to 5% of the required monthly interest and principal installments for outstanding parity bonds.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

The money in the Reserve Fund is to be retained solely for the purpose of paying the principals of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds. At fiscal year end, all required Reserve Fund monthly deposits for the District had been made as required, and the Reserve Fund was fully funded.

Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund): Each month the District shall transfer from the Sewerage System Revenue Fund an amount monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount, but not less than \$168 per month for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency

Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund. At fiscal year end, all required Depreciation and Contingency Fund monthly deposits for the District had been made as required, and the Depreciation and Contingency Fund was fully funded.

Rate Covenant - Debt Service Coverage and Rates: This bond covenant previously applied to the Series 1997A Sewer Revenue Refunding Bonds, which were paid off in 2012. However, pursuant to the Local Services Agreement executed between Livingston Parish Sewer District One and Livingston Parish Sewer District Two, an additional Rate Covenant for Debt Service Coverage applies to Livingston Sewer District One. With the issuance of the Series 2012, \$15,900,000, issued in the name of Livingston Sewer District Two, Livingston Sewer District One (the District) covenants to fix, establish, maintain, and collect, so long as any principal and interest is unpaid on the Bonds, such Revenues in each Fiscal Year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the District No. 1 System in each Fiscal Year; (ii) provide Net Revenues in an amount sufficient to make required deposits and payments established for the benefit of its parity obligations and its pro rata payments of the principal and interest on the Bonds; (iii) provide Net Revenues in an amount equal to 125% of the required deposits to the sinking funds for the security and payment of the Bonds and any parity obligations; (iv) make all other payments required by the Bonds; and (v) pay all other obligations or indebtedness payable out of its revenues for such Fiscal Year. Sewer District Number One further covenants that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.

At fiscal year end, December 31, 2013 the District's bond covenant ratio was 88%, below the required percentage of 125%. The ratio was below the required percentage, in part because construction to be implemented by Series 2012 Bonds was delayed, and sewer fees anticipated only began to be billed in July 2013. However, as noted in Footnote 13 – Other Commitments and Contingencies, the total fiscal year 2013 obligation by Livingston Sewer District One was \$246,573. During the fiscal year ending December 31, 2013, the District paid \$157,761 of those Sinking Fund requirements and maintained sufficient cash reserves for payment of the remaining \$88,812 payment obligation accrued at December 31, 2013.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

9. Restricted and Designated Net Position

At December 31, 2013, Livingston Parish Sewer District One recorded \$259,195 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Intergovernmental Agreement

Billing services for the District are contracted to the City to Denham Springs and Ward Two Water District of Livingston Parish. In addition, the District maintains contracts for sewer maintenance, primarily with Livingston Parish Sewer District No 2, and paid a total of \$227,835 to outside parties for sewer maintenance for the fiscal year ending December 31, 2013.

11. Risk Management

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds.

12. Litigation

According to the District's legal counsel, there is no pending litigation against Livingston Parish Sewer District One.

13. Other Contingencies and Commitments

On December 22, 2009, the Livingston Parish Council (the Council) issued \$2,500,000 of 2009 Series Revenue Bonds on behalf of Livingston Parish Sewer District No. 2 relating to lift station repairs and refurbishments. Additionally, the Council and the Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the Livingston Parish Sewer District No. 2 to make each of the required monthly principal and interest payments relating to the Bond through maturity. Subsequently, the District and Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the District to a pro-rata share payment of the monthly principal and interest obligations. At December 31, 2013, a total obligation of \$4,160,947 remained for payment of the 2009 Series Revenue Bonds, with \$2,912,664 payable by Livingston Sewer District Two and \$1,248,243 payable by Livingston Parish Sewer District One. The pro-rata share for Livingston Parish Sewer District One, as agreed by the two sewer districts, has been set at 30% of the monthly obligation. For the fiscal year ending December 31, 2013, the payment by Livingston Parish Sewer District One to Livingston Parish Sewer District 2, totaled \$43,818, equal to the required pro-rata share of 30%.

On November 14, 2012, Livingston Sewer District No. 2 secured financing for \$15,900,000 of Revenue Bonds. The Series 2012 Ward Two Sewer District Expansion bonds provide financing for construction improvements for both Livingston Sewer District No. 2 and Sewer District No. 1. Construction improvements for this project totaled \$5,001,663 at December 31, 2013, and it is anticipated that 33% of the construction expenditures will benefit Livingston Parish Sewer District One. By cooperative agreement, Livingston Parish Sewer District One will assume responsibility for payment of debt installments in proportion to the construction costs benefitting each district. The first installment of principal and interest became due on March 1, 2013, with both sewer districts paying their proportionate shares. During the fiscal year ending December 31, 2013 Livingston Parish

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended 12/31/13

Sewer District One recorded a total of \$246,573 in payment obligations for the Series 2012 bonds, consisting of \$157,761 paid during 2013 for Sinking Fund obligations, and \$88,815 accrued as payable for Series 2012 bond obligations through December 31, 2013. Total bond obligation for Livingston Parish Sewer District One for fiscal year 2014, for the Series 2012 bonds, is estimated at \$280,854.

14. Subsequent Events

These financial statements considered subsequent events through July 11, 2014, the date the financial statements were available to be issued. No events, other than those listed below, were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2013.

Since Livingston Parish Sewer District One (the "District") contracts with Livingston Sewer District No. 2 for operation and maintenance of the District, and enters into cooperative agreements with District No. 2 for expanding the operations of the District, events occurring after fiscal year end affect both districts. As noted in Footnote 13 – *Other Contingencies and Commitments*, Series 2012 Ward 2 Sewer Expansion Bonds totaling \$15,900,000 were issued on November 14, 2012. An essential part of the expansion project involved the purchase of customers from existing subdivisions. Through May of 2013, a total of 2,484 customers were added for both Districts, with 677 of those customers added for Livingston Parish Sewer District One. Those additional customers have been added by the District's billing agents and revenues derived from billings will assist in paying obligations related to the Series 2012 bond issue. Customers are added and billings updated as construction, financed by the Series 2012 bonds, progresses.

Other Supplemental Information

Livingston Parish Sewer District One
Budgetary Comparison Schedule
For the year ended December 31, 2013
With comparative amounts for the fiscal year ended December 31, 2012

	2013 Budget	2013 Actual	Variance Favorable (Unfavorable)	2012 Actual
Operating Revenues				
Sewer Fees	\$ 710,000	\$ 692,816	\$ (17,184)	\$ 446,377
Permits & Inspection Fees	2,000	3,125	1,125	1,600
User Fees	13,000	14,271	1,271	3,314
Impact Fees	28,000	39,872	11,872	-
Grant Revenue	35,400	35,495	95	59,062
Miscellaneous Income	-	-	-	11
Total Operating Revenues	788,400	785,579	(2,821)	510,364
Operating Expenses				
Per Diem	3,700	3,700	-	3,400
Billing Costs	600	5,287	(4,687)	4,954
Depreciation	60,000	58,009	1,991	57,468
Insurance	35,000	33,835	1,165	18,161
Other	5,000	4,456	544	3,244
Professional Fees	70,000	24,955	45,045	93,462
Repairs and Maintenance	349,000	306,406	42,594	293,432
Supplies	6,000	6,094	(94)	4,440
Utilities	42,000	43,300	(1,300)	28,944
Total Operating Expenses	571,300	486,042	85,258	507,505
Operating Income (Loss)	217,100	299,537	82,437	2,859
Nonoperating Revenues (Expenses)				
Interest Income	1,000	545	(455)	959
Interest Expense	(7,712)	(7,712)	-	(8,190)
Transfer for Livingston Parish Council Debt Oblig.	(44,000)	(43,818)	182	(43,261)
Transfer for Series 2012 Bonds	(91,788)	(246,573)	(154,785)	-
GOSHEP Storm Reimbursement	29,600	29,651	51	-
Storm Expenses	-	-	-	(4,080)
Total Nonoperating Revenues (Expenses)	(112,900)	(267,907)	(155,007)	(54,572)
Change in Net Position	104,200	31,630	(72,570)	(51,713)
Total Net Position, Beginning	1,093,915	1,093,915	-	1,145,628
Total Net Position, Ending	\$ 1,198,115	\$ 1,125,545	\$ (72,570)	\$ 1,093,915

Livingston Parish Sewer District One
Schedule of Insurance
For the year ended December 31, 2013

Insurance Company / Policy Number	Coverage	Amount	Period
American Alternative Insurance Corp (AAIC) Policy # GPPA-PF- 6052991-03	Commercial Package: Commercial Property (Scheduled) Extra Expense Coverage Loss of Income General Liability: Each Occurrence Damage to Premises Rented Medical Expense Personal and Advertising Injury General Aggregate Products-Completed Oper Aggreg. Public Officials & Management Liab: Each "Wrongful Act" or Offense General Aggregate (Combined) Inland Marine Commercial Excess Liability: Each Occurrence Claims-Made Aggregate	\$ 8,102,578 250,000 250,000 1,000,000 1,000,000 10,000 1,000,000 3,000,000 3,000,000 As Scheduled 1,000,000 3,000,000 5,000,000	10/31/2013 to 10/31/2014
CNA Surety Policy # 18306688 Policy # 18279338	Position Schedule Bond Crime Bond (Employee Dishonesty)	310,000 135,000	7/15/2013 to 7/15/2014 9/7/2013 to 9/7/2014
Louisiana Workers Comp Corporation Policy # 147118-b	Workers Compensation at Statutory Limitations: Employers Liability (each accident) Employees Liability (each accident)	100,000 100,000	3/26/2013 to 3/24/2014
AmTrust Insurance Co. of Kansas Policy # KPP1004645 04	Commercial Auto: Liability (Combined Single Limit-CSL) Uninsured Motorists (CSL) Physical Damage (As Scheduled)	1,000,000 1,000,000	3/16/2013 to 3/16/2014

Note: The Employee Dishonesty Bond described above is issued separately for Livingston Parish Sewer District Number One. Other policies are issued jointly for Livingston Parish Sewer District Number One and Livingston Parish Sewer District Number Two.

See independent auditor's report.

Schedule 3

Livingston Parish Sewer District One
Schedule of Compensation Paid to Board of Commissioners

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Chad Pope (225) 268-0954	30847 Dunn Rd. Denham Springs, LA 70726	\$ 1,400	Term Expired
Michael R. Swain, Vice Chairman (225) 572-8368	30866 East Knight Denham Springs, LA 70726	1,300	Term Expired
Brian Lubecke (225) 964-1717	9414 Lockhart Road Denham Springs, LA 70726	-	Appointed 2014 - Until Re-appointed
Joseph Grasso (225) 413-9274	10486 Sherrie Lane Denham Springs, LA 70726	-	Appointed 2014 - Until Re-appointed
Jody Stanford, Commissioner (225) 252-4118	13925 Amber Lane Walker, LA 70785	1,000	Term Expired
		<u>\$ 3,700</u>	

Schedule 4

Livingston Parish Sewer District One
Schedule of Sewer Customers and Sewer Rates
For the year ended December 31, 2013

	<u>12/31/13</u>	<u>12/31/12</u>	<u>Increase (Decrease)</u>
Customers	<u>1,651</u>	<u>961</u>	<u>690</u>
Total Customers	<u>1,651</u>	<u>961</u>	<u>690</u>

Effective June 1, 2008, a
\$300.98 Tap Fee (plus road bore)
plus additional Impact Fee as
indicated below:

<u>Sewer Fees</u>	<u>Impact Fee</u>	<u>Size Tap</u>
Residential Sewer Rates:	\$ 1,702	3/4" Tap
\$ 28.50 - First 3,000 Gallons	1,762	1" Tap
2.52 - Per Next 1,000 Gallons of Water Over 3,000	5,253	1 & 1/2" Tap
48.50 - Residential With Own Well	21,915	2" Tap
	23,429	3" Tap
	56,818	4" Tap
	120,919	6" Tap
	346,301	8" Tap
Commercial Sewer Rates:		
\$ 48.50 - Plus \$4.25 Per Thousand Gallons	Flat Rate Plus Usage	
48.50 - Flat Rate Only.	Commercial W/own Well.	
48.50 - \$38.50 Per Unit Plus \$4.25 Per Thousand Gallons.	Commercial With Multiple Connections Having a Single Water Meter	

See independent auditor's report.

Schedule of Audit Findings and Resolution

**Livingston Parish Sewer District One
Schedule of Findings and Questioned Costs
December 31, 2013**

Schedule 5

Part I: Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unqualified.

Internal Control Over Financial Reporting:

Material Weakness(es) Identified:	No
Significant Deficiency(ies) that are not considered to be	
Material Weaknesses:	Yes
Noncompliance Material to the Financial Statements:	Yes

Federal Awards

There were no Major Programs for the District for the fiscal year ended December 31, 2013

Part II: Findings which are required to be reported in accordance with generally accepted *Governmental Auditing Standards*:

A. Compliance Findings –

Finding Number 2013-C1.

B. Internal Control Findings -

Findings within the *Corrective Action Plan for Current Year Audit Findings* include Findings 2013-I1 and 2013-I3, significant deficiencies not material to financial statements.

Part III: Findings and Questioned Costs for Federal Awards which include audit findings as defined in Section 510(a) of Circular A-133:

N/A.

Part IV: Management Letter Items:

There were no management findings for the District for the fiscal year ending December 31, 2013.

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2013**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

No prior year findings.

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2012-II (Lack of segregation of duties)

Year Initial Finding Occurred: Fiscal Year Ending December 31, 2010

Type Finding: Significant deficiency not constituting a material weakness.

Description of Finding:

The prior year finding noted that Livingston Parish Sewer District One must demonstrate that activities relating to the receipt and disbursement of funds are properly segregated. We recommended that the District continue to implement compensating controls to ensure the integrity of financial operations.

Corrective Action Taken:

Corrective action is listed as partial, since when there is a limited number of personnel, positive steps must be taken by management and the board of commissioners to control the initial recording and reporting of financial transactions. This finding is continued as Finding 2013-II in the *Corrective Action Plan for Current Year Audit Findings*.

Description of Corrective Action Taken:

Since proper segregation of duties is a continuing issue of small agencies, this finding is continued.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2013**

Reference Number: 2012-I3 (Account Receivable Documentation)

Year Initial Finding Occurred: Fiscal Year Ending December 31, 2010

Type Finding: Significant deficiency constituting a material weakness.

Description of Finding:

The prior year finding noted that Livingston Parish Sewer District One must obtain adequate support from the third-party billing agents to determine that accounts receivable and sewer service revenue are reasonably valued.

Corrective Action Taken:

Corrective action is listed as partial, although the District took the initial steps required to verify the number of billings for each primary billing agent, and took additional steps in fiscal year 2013 to verify the number of customers billed for existing customers and the Series 2012 construction expansion project. The District obtained a customer listing from each billing agent and documented that the number customers billed was reasonable. The District Manager for District No. 2 also maintains a grid map of customers billed and compares this map to actual customers billed. The District Manager also verifies customer account information through programs of the major billing agent. This finding is continued as Finding 2013-I3 in the *Corrective Action Plan for Current Year Audit Findings*, since the District must, on a more frequent basis, verify the customer billings are complete.

Description of Corrective Action Taken:

Since proper support is required and recommendations are still being implemented, this finding is continued.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control and Compliance Material to Federal Awards

There were no findings related to federal awards.

Management Findings

No management findings.

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2013**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2013-C1 (Bond Covenant – Debt Coverage Ratio).

Year Finding First Occurred: Fiscal Year ending December 31, 2013.

Type Finding: Compliance Finding.

Criteria: Livingston Parish Sewer District One entered into a Local Service Agreement, with Livingston Parish Sewer District Two, that requires that Livingston Parish Sewer District One pay 33% (equal to the percentage that Livingston Parish Sewer District One will benefit from Series 2012 Bond construction improvements) of the Livingston Sewer District Two Series 2012, \$15,900,000 bond obligations. As part of the Local Services Agreement, Livingston Parish Sewer District One agrees to comply to provisions of the Series 2012 bond covenants relating to maintaining a “Debt Coverage Ratio”, as required by the Series 2012 bonds. Part of this covenant provides that Livingston Parish Sewer District One will in any given year provide Net Revenues in an amount equal to 125% of the required deposits to the sinking funds for the security and payment of the Bonds and any parity obligations.

Condition: Livingston Parish Sewer District One met its obligations during the fiscal year ending December 31, 2013, by providing direct payment of \$157,761, and accruing a total of \$88,812 at fiscal year-end for the next Series 2012 bond installment due March 1, 2014. Cash reserves were available to pay for the \$88,812 accrual. However, the bond debt coverage ratio was only 88%, below the required ratio of 125%. The ratio was affected by the delay of construction, which delayed customer revenues from the expansion project until July 2013.

Effect: The District must comply to bond covenants.

Findings: The bond debt coverage ratio was 88%, below the required ratio of 125%.

Recommendations: It is recommended that bond deposits be increased to meet projected bond payments.

Response by Management: We have accumulated sufficient funds for payment of obligations under the Series 2012 bonds. We anticipate that the bond coverage ratio will increase as we receive customer revenues from the Series 2012 construction expansion project for a full year.

Description of Action Taken: Partial

Anticipated Completion Date: Compliance is anticipated for fiscal year 2014 as additional customer revenues from the Series 2012 construction project are received for a full year.

Contact Person:
Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2013**

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2013-II (Lack of segregation of duties) Continued from prior fiscal year.

Year Finding First Occurred: Fiscal Year ending December 31, 2010.

Type Finding: Significant deficiency not constituting a material weakness.

Criteria:

The Livingston Parish Sewer District One must demonstrate that activities relating to the receipt and disbursement of funds are properly segregated.

Condition:

With all smaller agencies, there will be limited personnel for recording receipts and disbursements and for reporting financial transactions. The District has implemented the following compensating controls:

- 1) Direct approval by the board for all key financial transactions.
- 2) Maintenance of detail registers to support all disbursements.
- 3) Monthly reconciliation and reporting by an outside accountant.
- 4) Approval and signing of checks by board members.

Effect:

Having a limited number of personnel increases the need to closely review financial transactions. The District compensates for the lack of personnel with outside reporting.

Findings:

Controls must be implemented to counter the effect of a limited number of personnel performing financial transactions.

Recommendations:

The District must continue to implement compensating controls to ensure the integrity of financial operations.

Response by Management

We have continued to closely monitor financial operations.

Description of Action Taken: Partial

Anticipated Completion Date: Controls are implemented.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2013**

Reference Number: 2013-I3 (Accounts Receivable Documentation)

Type Finding: Significant deficiency not constituting a material weakness.

Date Finding First Occurred: Fiscal Year Ending December 31, 2011

Criteria:

The District relies on third-party billing agents to process the utility billings for sewer services since the sewer accounts are included in customer accounts that provide water and sewer, and sometimes gas service billings. Documentation provided by the billing agents must be sufficient to determine that accounts receivable and sewer service revenue are reasonably valued.

Condition:

Documentation currently provided by the billing agents includes a summary total of the collections for sewer services, the billing service charge, and a customer count for the month.

Effect:

Sufficient documentation is necessary to determine that receivables are complete and that sewer service revenues are correctly stated.

Findings:

During prior fiscal years, the controls and operations of the two primary billing agents were reviewed and documentation was reviewed to support the conclusion that receivables and sewer service revenues were reasonably stated. The two primary billing agents have controls in place to facilitate the proper recording of receipts and billing for services, and each of the two primary billing agents have an extensive reporting system, often capable of custom design reports.

Although the services provided by the billing agents were noted as exceptional, additional documentation is required to facilitate the District's determination that all services are billed and collected. For the fiscal years ending December 31, 2013, and 2012, the District obtained a customer listing from each billing agent and documented that the number customers billed was reasonable. Additional procedures were applied to verify customers as new customers were added for the construction project financed with the Series 2012 Bonds. The District Manager for District No. 1 also maintains a grid map of customers billed and compares this map to actual customers billed. The District Manager also verifies customer account information through programs of the major billing agent. For fiscal year 2013 it was noted that review of the customer listings was more frequent, but was not on a scheduled basis because of the additional work required adding and verifying customers for the Series 2012 expansion project.

Recommendations:

Prior year recommendations noted that utility billings for sewer services are included within customer accounts that also provide water and sometime gas service billings. We had previously recommended that these billings be separated in custom journals for the sewer district, although the District has demonstrated that they are tracking

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2013**

the number of billings. Our previous recommendation to customize accounting for sewer utility billing transactions gains importance because of the increase in the number of customers, and the need to reconcile financial transactions for individual customers. Revised recommendations are as follows:

- 1) At a minimum, obtain from each of the two primary billing agents, on no less than a quarterly basis, a detailed payment listing of customer sewer accounts. This would permit more frequent review to determine that all customers are billed and sewer payments collected. The District should also consider receiving the reports in a standard readable format such as Adobe Acrobat for archiving by the District's accountant.
- 2) The District should pursue the costs of obtaining a monthly transaction register from the billing agents that includes sewer accounts only. The register should be in a standard format that shows the beginning balance of each account, the transactions for that account, and ending balance for that account, and should, at the bottom of the register, show the beginning accounts receivable balance, total debits and credits, and ending accounts receivable balance. Recommended format is a standard format such as Adobe Acrobat to reduce paperwork.

Response by Management

We will contact the billing agents and determine what additional reporting services are possible.

Description of Action Taken:

Action by the District is pending completion.

Anticipated Completion Date: December 31, 2014

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control and Compliance Material to Federal Awards

There were no findings related to federal awards.

Management Letter

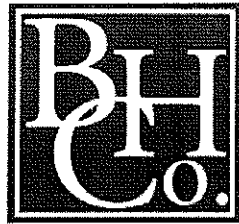
No management findings

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Members of the Board of Commissioners
Livingston Parish Sewer District One
Livingston Parish Council
Denham Springs, Louisiana 70727

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Livingston Parish Sewer District One, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Livingston Parish Sewer District One's basic financial statements and have issued our report dated July 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Livingston Parish Sewer District One's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston Parish Sewer District One's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston Parish Sewer District One's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. However,

BRUCE HARRELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

To Members of the Board of Commissioners

Page 2

we did identify certain deficiencies in internal control, described in the accompanying *Corrective Action Plan for Current Year Audit Findings* that we consider to be significant deficiencies in internal control over financial reporting and have included these findings as Finding Numbers 2013-I1 and 2013-I3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston Parish Sewer District One's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, reported as Finding Number 2013-C1, that is required to be reported under *Government Auditing Standards*.

Response to Findings by Livingston Parish Sewer District One

Livingston Parish Sewer District One's response to the findings identified in our audit is described in the *Corrective Action Plan for Current Year Audit Findings*. The Livingston Parish Sewer District One's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of management, the Board of Commissioners of the District, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

July 11, 2014